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SIPDIS

STATE PLEASE PASS TO USTR C. HAMILTON

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SUBJECT: NIGERIA: AGOA III: INFORMATION ON TEXTILE AND APPAREL PRODUCTION CAPABILITIES

REF: (A) STATE 26964, (B) 03 Abuja 1972

1. (U) Summary: Nigeria's textile and apparel industry is uncompetitive and in decline, and manufacturers are skeptical about the possibilities of reversing the industry's long downward trend. Nigerian producers are not yet eligible for AGOA textile and apparel benefits, and most believe that AGOA alone will not bring about a substantial increase in their textile or apparel trade (Ref B). Many are leaving the business, with corresponding negative upstream effects on Nigerian cotton producers. End summary.

TEXTILE PRODUCTION FACILITIES

2. (U) Over the last ten years, many of Nigeria's textile mills have permanently shut down. Membership in the Nigerian Textile Manufacturers Association (NTMA) has declined from 124 members in 1994 to fewer than 60 today; most remaining mills are operating at only 60 or 70 percent capacity. The industry has shed more than 60,000 of its 140,000 jobs, and most observers expect further decline.

3. (U) Nigerian spinning, weaving, and processing facilities are fully mechanized, but equipment is often outdated and poorly maintained. According to NTMA's executive director, Nigerian spinning facilities have 810,000 spindles and 26,000 open-ended rotors. The country's weaving facilities, he says, have 16,840 shuttle looms and 2,640 shuttle-less looms and produce approximately 450 million meters of gray cloth annually. Most Nigerian textile manufacturers import ginned cotton from neighboring countries, but some, like locally owned Nigerian Textile Mills and part Indian owned Afprint, operate domestic cotton plantations and ginneries. A handful of firms also produce polyester yarns and fabrics.

APPAREL PRODUCTION FACILITIES

4. (U) Nigeria has no organized apparel industry. Most garments are produced by individual tailors or by small businessmen working with one or two assistants and a handful of sewing machines. Locally produced or imported cotton fabric is the most common input, with imports coming chiefly from ASEAN countries. These should decline after the GON's January 2004 ban on textile imports. Finished products range from traditional dress to designer clothes geared toward Nigeria's affluent.

TARGET MARKET FOR FINISHED PRODUCTS

5. (U) According to NTMA's executive director, 65 percent of Nigeria's textile production, mostly cotton or polyester yarn and gray cloth, is sold domestically, with the remaining 35 percent exported to neighboring countries or Europe (primarily Italy, Spain, and Portugal). Yarn produced from Nigerian cotton is often exported as discounted non-dyeing yarn due to contamination by fibers from cotton pickers' polyethylene bags. None of Nigeria's finished products are exported to the U.S.

COMMENT

6. (U) Nigerian textile manufacturers are uniformly bleak about the prospects of turning around a declining industry. High input prices, unreliable power supplies, and poor transportation infrastructure have forced many producers to close their doors, and many observers expect further decline, particularly since attracting new investment has become increasingly difficult. Nigerian producers are not yet eligible for

AGOA textile and apparel benefits, and few producers have expressed interest in expanding textile or apparel manufacturing facilities. Unless Nigeria secures AGOA textile and apparel certification or sees its main textile products, cotton yarn and gray cloth, become eligible for duty-free treatment, the legislation's extension is unlikely to have much impact.

GREGOIRE